

BLUE LIKE AN ORANGE **Sustainable Capital**

2021 DISCLOSURE STATEMENT

OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

30 June 2021

Table of Contents

I. Principle 1: Define strategic impact objective(s), consistent with the investment strategy..	4
II. Principle 2: Manage strategic impact on a portfolio basis.....	9
III. Principle 3: Establish the Manager’s contribution to the achievement of impact.....	11
IV. Principle 4: Assess the expected impact of each investment, based on a systematic approach.....	12
V. Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment.....	18
VI. Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.	20
VII. Principle 7: Conduct exits considering the effect on sustained impact.....	21
VIII. Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.....	22
IX. Principle 9: Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.	24

DISCLOSURE

Blue like an Orange Sustainable Capital (Blue like an Orange) is a founding signatory to the Operating Principles for Impact Management.

The following Disclosure Statement covers all assets managed by Blue like an Orange, namely Latin America Fund 1 (“Latin America Fund I” or “Fund I”).

All assets under management are aligned with the Impact Principles, with currently covered assets in the Fund totaling approximately \$152 million. The total funds raised for the Fund I are approximately \$204 million, and they will also be managed in accordance with the Impact Principles.

Bertrand Badré
Managing Partner & Founder
Blue like an Orange Sustainable Capital

I. Principle 1: Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Blue like an Orange's strategy for progress

Structured Credit: flexible financing to support entrepreneurs

Structured credit allows companies to expand operations without giving up ownership or control, can create a more efficient financial structure and strengthen incentives for entrepreneurs to build and grow their businesses. Blue like an Orange recognized the large and growing demand for more flexible financing in emerging markets - in Latin America and the Caribbean in particular - especially coming from mission-aligned providers of capital and businesses in the region. This prompted Blue like an Orange to focus on filling this financing gap for entrepreneurs by focusing on structured credit for its first Sub-Fund, Blue like an Orange Sustainable Capital Latin America Fund I ("Latin America Fund I" or "Fund I").

Latin American Fund I has sustainable investment as its objective as set out in article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector. Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

Areas of sustainable investing

Latin America Fund I focuses its investments on primarily, but not exclusively, several key sectors where responsible business can affect social change.

a. Sustainable Infrastructure and Technology Enabled Services

Blue like an Orange aims to support the development of sustainable infrastructure and technology enabled services by investing in, among others, high quality information technology, affordable, clean and reliable energy, sanitation, and transport, especially to those who are currently operating with limited or no access, as well as networks infrastructure, including data and voice services providers. These investments will not only develop infrastructure but will also support quality employment for people in the surrounding communities.

b. Financial Services

Access to safe, transparent, convenient and affordable banking and finance is critical to building a business of any size, and in most developing countries access to capital is extremely limited. Blue like an Orange invests in organizations that meet these standards and seek to provide capital and banking services to unbanked or underbanked customers. Blue like an Orange investees are working to empower their customers by offering equal rights to control their own economic resources in order to reduce poverty.

c. Social Infrastructure (Health and Education) and Agriculture

Education

Providing every child access to education could increase 13 times current GDP and would average out to a 28% higher GDP over the next 80 years in lower-income countries¹. Parents at every socio-economic level in developing countries have demonstrated a willingness to dedicate a significant amount of income to educating their children. Blue like an Orange seeks to support traditional and innovative education models to reach a greater segment of the population, and also puts a strong emphasis on vocational training and workforce readiness.

Health

Investing in health ensures individuals and economies can reach their full productive potential, with healthcare being a rapidly growing sector in Latin America and more broadly. Blue like an Orange seeks to capitalize on companies that have demonstrate consistent improvements to population health and contribute to strengthening health systems in support of achieving Universal Health Coverage. Almost half of all SDG indicators are “health-related”, so Blue like an Orange investment impact will be assessed against not only SDG3 but across all of the health-related SDGs.

Agriculture





Ending hunger and ensuring sustainable and secure food production is essential to economic growth, employment and national security. Blue like an Orange seeks to invest in companies that promote improved livelihoods for farm owners and workers, and provide access to more efficient markets, sustainable technology, inputs and processing equipment, and capacity building and technical education.

A strategic focus on the SDGs

While each of the above areas can be mapped against the SDGs, at a “firm level”, as part of the review of the approach toward SDG achievement, Blue like an Orange determined that regardless of the sector, country, size of the investment, or other metrics – goals around inclusive job creation, equal treatment of women, the importance of innovation and technology, and climate change and environmental sustainability – were simply too important not to measure. Each borrower is informed of this ex-ante,

¹ Schleicher, Andreas (2018), “Why equity in education is so elusive” , in World Class: How to Build a 21st- Century School System, OECD Publishing, Paris.

representing a strong set of core values and principles that guide our origination and investment approach.

	<p>Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>
	<p>Goal 5. Achieve gender equality and empower all women and girls</p>
	<p>Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>
	<p>Goal 12. Ensure sustainable consumption and production patterns</p>

A unique cooperation model with Development Finance Institutions

Development Finance Institutions (DFIs) have unique knowledge and resources to thoroughly source and carry in-depth investment reviews. By working with DFIs, Blue like an Orange can conduct a more cost-effective due diligence process on potential investments, have preferred access to deal flow, assess development impact using high and market leading standards, and gain better access to data on social and financial performance.

In its first DFI relationship, focused on Latin America, Blue like an Orange is working with the Inter-American Development Bank (IDB) Group’s private sector institution, IDB Invest. IDB Invest is the only multilateral organization devoted solely to the development of Latin America and the Caribbean through the private sector. It has US\$14 billion under management and also benefits from 23 regional offices .

In April 2017, IDB’s President, Luis Alberto Moreno, IDB Invest Chief Executive Officer, James P. Scriven, and Bertrand Badré, Managing Partner of Blue like an Orange, signed a memorandum of understanding to promote economic development in Latin America and the Caribbean by providing additional capital to entrepreneurs. A co-financing framework agreement was then signed in June 2018 between Blue like an Orange and IDB Invest, followed by legal agreements in December 2018 for the Fund I’s first two investments.

In addition to its relationship with IDB Invest, Blue like an Orange utilizes its substantial network of contacts and partnerships with stakeholders across the region, to source and finance potential opportunities.

A “No Trade-off” Investment Policy between sustainable impact and financial returns

Blue like an Orange believes in a “no trade-off” principle between market level rates of financial returns

and sustainable development outcomes aligned with the SDGs. The Fund follows a strict due diligence process for making investment selections in direct support of the SDGs and Blue like an Orange’s commercial objectives.

Assessing the impact against several measurable standards

Tangibly measuring the social progress of the investments is paramount to Blue like an Orange’s responsible investment approach.

Since the origin, the Fund has aimed to contribute to the Sustainable Development Goals by mobilizing private capital. Consequently, the impact of all transactions is assessed against these goals, in both the screening and monitoring process.



In 2019, Blue like an Orange refined its approach to SDG impact assessment and developed an internal rating system to rate each investment against the SDGs. Named “SDG Blue”, the rating system has been in use since Q4 2019 as a key part of the Investment Committee decision making process and has been improved regularly. The last version was revised in November 2020.

II. Principle 2: Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Impact Monitoring

“Projected vs Actual”

Prior to executing the loan, Blue like an Orange agrees on set of indicators with regard to sustainable impact, and sets clear projections (usually annually, sometimes quarterly) to be achieved. Depending on the transaction, some of these projections relate to the “additional” or “incremental” impact being generated as result of the Blue like an Orange investment, though we recognize the fungibility of money.

SDG Blue Annual Review

Blue like an Orange rates investments in its portfolio at least annually based on the SDG Blue rating system.

“Reach Target” indicators evaluation

Blue like an Orange originally set “Reach Targets” in order to manage more specifically the Fund’s contribution to SDGs in three key sectors: sustainable infrastructure, access to finance and access to social infrastructure (comprised of healthcare, education and agriculture).

The “Reach Targets” were initially set for a mock portfolio across the Fund I for a \$600 million fund size originally. In 2019, the Reach targets were resized for Fund I, on the basis of a \$200 million fund size and inclusion of ‘Technology Enabled Services’ as a component of the “sustainable infrastructure” sleeve.

The reporting on performance against these “Reach targets” based on \$200m Fund I Size targets will be done in 2022 once the portfolio is closed.

Key sector	Reach Target
Access to sustainable infrastructure and technology enabled services Suggested Goals: SDG 1,6,7,8, 9,11, and 12	Reach Target: 350,000 people with access to sustainable infrastructure
Access to finance Suggested Goals: SDG 1,8, and 9	Reach Target: 153,000 clients (SME and Micro) with access to financial services
Access to social infrastructure (healthcare, education), and agriculture) Suggested Goals: SDG 1,2,3, 4 and 15	Reach Target: 350,000 people with access to social infrastructure and agricultural services

Assisting portfolio companies through training programs to help them reach their sustainability targets

The relationship with IDB Invest enables the companies in the Fund's portfolio to benefit from continuous support to help them achieve the expected sustainability and social impact.

All companies that are joint Blue like an Orange and IDB Invest investments are eligible to attend workshops and trainings organized by IDB Invest in order to assist the company's ability to enhance their performance against the standards.

For instance, in June 2019, for the second year, IDB Invest hosted their annual "Sustainability Week" in Panama. IDB Invest's Sustainability Week has positioned itself in the region as a platform and forum for sharing experiences and developing knowledge networks. The event has become the major knowledge forum on social, environmental and corporate governance sustainability for the private sector in Latin America and the Caribbean.

In 2020, IDB Invest had to cancel the Sustainability Week due to the coronavirus pandemic.

Aligning staff incentive systems with the achievement of impact, as well as with financial performance targets

To date, Blue like an Orange has not formalized such alignment and is currently analyzing internally the opportunities to do so.

III. Principle 3: Establish the Manager’s contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Blue like an Orange reviews systematically and documents the progress of each investment in achieving impact against expectations. Decisions and processes are improved based on the achievement of impact and according to the lessons learned. When IDB Invest is in the transaction, they generally lead on “supervision”. When Blue like an Orange is in the lead, our team oversees the supervision process.

Environmental and Social Action Plan Follow up

Blue like an Orange (and IDB Invest when they are in the transaction) develop an Environmental and Social Action Plan with the borrower, which is required to comply with it and is a condition for loan signature, and then monitor progress made against each investment’s Environmental and Social Action Plan.

DELTA Score and IDB monitoring

IDB Invest has contractual rights to perform an evaluation of each company’s DELTA Score as well as other indicators on an annual basis, when they are in the transaction. As agreed, Blue like an Orange receives updates from IDB Invest regarding these evaluations, on at least an annual basis, but only when IDB Invest is in the transaction.

Commitment for each investment

In addition to the below and to how we address Principle I and given the relevance in the capital structure, the complex and tailored-made nature of the instrument and the long tenure of the transaction, the relationship with portfolio companies go beyond a “traditional” creditor/borrower interface, encompassing several other aspects, some of which formally required by the legal agreements while others are based on a strategic dialogue/role that this type of financing allows us to develop over time.

A formal requirement covered by the legal documentation is related to impact. We are committed to foster the impact agenda at our portfolio companies through a structured approach. During due diligence, based on its current situation, the company will be required to implement an action plan, measure and report on a set of sustainability indicators and target certain KPIs, all of which will be systematically monitored and reviewed during the life of the investment against what was agreed upon at the beginning of the transaction. We also maintain frequent contact with portfolio companies in order to provide guidance, search market references, share publications/reports and introduce them to relevant forums related to impact.

IV. Principle 4: Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

Blue like an Orange sets impact objectives at the Fund and portfolio level, assesses each potential transaction against measurable social and environmental investment standards and monitors progress made against these objectives. Constantly seeking to learn during the review and the monitoring of its portfolio, Blue like an Orange aims to improve its approach.

Measuring impact against the SDGs

Since Blue like an Orange is committed to contributing to the achievement of the Sustainable Development Goals by mobilizing private capital, impact objectives are determined, both at the Fund level, and at the portfolio company level.

Assessment against the SDGs and the "SDG Blue" Rating System

The 17 SDGs are defined by the United Nations in a list of 169 SDG Targets. Progress towards these Targets is agreed to be tracked by 231 unique Indicators. The list of Indicators is regularly updated and agreed upon by the United Nations Statistical Commission².

As the SDGs were written largely through a "public sector" lens, Blue like an Orange had to "translate" indicators so that they are more appropriate for a private investment approach. In doing so, Blue like an Orange engaged in a dialogue with the United Nations at the highest levels, as well as examined other indicator pools, such as GIIN and their IRIS+ effort.

Blue like an Orange has developed an internal rating system, named SDG Blue, to rate each investment against SDGs achievement with the rating used as a key part of the Investment Committee process. SDG

² <https://unstats.un.org/sdgs/indicators-list/>

Blue has been introduced in 2019, revised in January and November 2020 and is expected to be updated periodically, based on the team’s experience.

As each potential opportunity is evaluated against the SDGs, it is assigned a score, and a corresponding letter grade. If the opportunity becomes a portfolio company, the score is re-evaluated on annual basis. SDG Blue can have a score 0-10. A minimum threshold of 6.0 is required to invest.





The tool works in a similar way to a credit rating score, taking weighted averages based on different categories and adding up points.

Rating Category	SDG Blue Rating	Score
	A+	=>9.50
A	A	=>9.00
	A-	=>8.75
	B+	=>8.50
B	B	=>8.00
	B-	=>7.75
	C+	=>7.50
C	C	=>7.00
	C-	=>6.75
	D+	=>6.50
D	D	=>6.00
	D-	=>5.75
E	E	<5.75

As stated in Principle 1 above, SDG Blue uses four “Mandatory Goals” that are applied to all opportunities, and four “Elective Goals”, selected by the investment team that are custom for each opportunity, making the tool clearly defined but flexible.

Blue like an Orange has selected “Mandatory Goals”, which each investment must be measured against regardless of sector – these, amongst the SDGs, are the most important to the impact Blue like an Orange seeks to create through Latin America Fund I : Goal# 8 (Job creation); Goal# 5 (Gender equality); Goal# 9 (Innovation); and Goal# 12 (Sustainability).

The table below summarizes the scoring used for each mandatory, business and bonus goal.

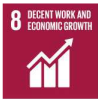

SDG Blue Matrix		Weights
Mandatory Goals/ Targets (Total Weight 45%)		
 Goal 8.5		15%
 Goal 5.1 and Goal 5.5		10%
 Goal 9.5		10%
 Goal 12.6		10%
Core Business Area Goals (Total Weight 40%)		
Objective: Score the main area of business activity Any 1 Goal/ Target from the 17 UN Goals Note: Goals can be repeated from any of the above with a different Target		40%
Supplemental Goals (Total Weight 15%)		
Objective: Score a supplementary contribution to business activity Any 1 Goal/ Target from the 17 UN goals (suggestions provided below) Note: Goals can be repeated from any of the above with a different Target		15%
Optional 2 Bonus Goals (Total Weight 5%)		
Objective: Give credit for contribution to additional goals not captured above Any 1 or 2 Goal/ Targets from the 17 UN goals Note: Goals can be repeated from any of the above with a different Target		5%
TOTAL		100 - 105%



Mandatory: applicable to all opportunities regardless of type of business

Business: main area of business activity, different for each opportunity

Bonus: additional impact (optional)

Mandatory goals are measured against indicators designed by Blue like an Orange to fit for business activities (listed in the table below in the Blue like an Orange indicators column). These Blue like an Orange indicators can be either quantitative or qualitative.

Goals	SDG target	UN Indicators	Blue like an Orange Indicators
 <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	8.5.1 Average hourly earnings of female and male employees, by occupation, age and persons with disabilities 8.5.2 Unemployment rate, by sex, age and persons with disabilities	<ul style="list-style-type: none"> Rate of increase in permanent employees Percentage of people with disabilities in total employment Percentage of people below the age of 25 (youth employment) in total employment
 <p>Achieve gender equality and empower all women and girls</p>	5.1 End all forms of discrimination against all women and girls everywhere 5.5 Ensure women’s full and effective participation and equal opportunities for leadership at	5.1.1 Whether or not legal frameworks are in place to promote, enforce and monitor equality and non-discrimination on the basis of sex 5.5.1 Proportion of seats held by women	<ul style="list-style-type: none"> Percentage of female employees in total number of employees Percent of discrepancy in average wage paid to female employees versus average wage paid to male employees, y-o-y Percentage of women participating in managerial or

	all levels of decision-making in political, economic and public life	in (a) national parliaments and (b) local governments 5.5.2 Proportion of women in managerial positions	higher positions <ul style="list-style-type: none"> Percentage of SMEs run by women in total portfolio (for projects involving SMEs)
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending	9.5.1 Research and development expenditure as a proportion of GDP 9.5.2 Researchers (in full-time equivalent) per million inhabitants	Degree of innovation of the products and services provided by the borrower evaluated as i) first time available on the market, ii) first time available in the country iii), improvement on current product or service, iv) existing product or service, or v) obsolete product or service
 <p>Ensure sustainable consumption and production patterns</p>	12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	12.6.1 Number of companies publishing sustainability reports	<ul style="list-style-type: none"> Level and frequency of sustainability assessment and reporting Net effect on CO₂ (reduction in emissions; carbon offset) Adoption of sustainable and environmental practices – qualitative assessment of the practices including, but not limited to: prevention of pollution, water and energy usage, recycling, food waste, and disposal of hazardous waste

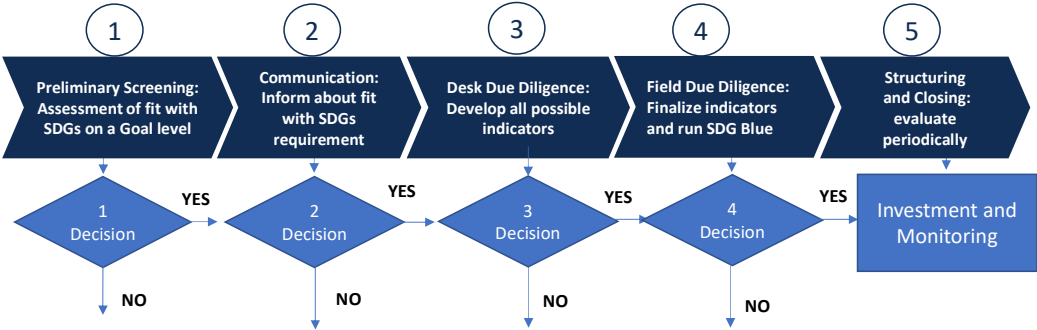
Business and bonus goals are customized for each opportunity. To the extent possible, Blue like an Orange is trying to standardize the process and is developing a pool of indicators from which the investment team must draw.

Blue like an Orange’s goal is to develop templates with a suggested set of Goals/ Targets applicable to specific business models e.g. healthcare, SMEs, and technology enabled services. The table below provides an illustration based on our current portfolio and pipeline.

Financial Institutions	Financial Institutions App-enabled	Services App-enabled	Health Services	Solar	IT Company
MANDATORY	MANDATORY	MANDATORY	MANDATORY	MANDATORY	MANDATORY
Goal 8.5	Goal 8.5	Goal 8.5	Goal 8.5	Goal 8.5	Goal 8.5
Goal 5.1 and Goal 5.5	Goal 5.1 and Goal 5.5	Goal 5.1 and Goal 5.5	Goal 5.1 and Goal 5.5	Goal 5.1 and Goal 5.5	Goal 5.1 and Goal 5.5
Goal 9.5	Goal 9.5	Goal 9.5	Goal 9.5	Goal 9.5	Goal 9.5
Goal 12.6	Goal 12.6	Goal 12.6	Goal 12.6	Goal 12.6	Goal 12.6
BUSINESS	BUSINESS	BUSINESS	BUSINESS	BUSINESS	BUSINESS
Goal 8.10	Goal 8.10	Goal 11.2	Goal 3.4	Goal 7.2	Goal 9.b
Goal 9.3	Goal 9.b	Goal 9.b	Goal 3.c	Goal 7.1	Goal 4.4

As described and shown above, the SDG analysis is applied throughout the investment process, in parallel to the “commercial” analysis (the two are, however, intertwined – as SDG elements can often have commercial implications) following these steps:

1. Assess if there is a fit with the SDGs at least at the Goal level
2. Inform the borrower about the SDG fit requirement, and the requirement to measure specific indicators before the investment can be made and throughout the investment period
3. In cooperation with the borrower, develop all possible indicators that can be measured
4. Finalize indicators and cross reference with SDGs, picking the most meaningful beyond the mandatory indicators to use in the SDG Blue matrix; note that there may be more indicators measured on a project than used in the SDG Blue measurement; some of the ‘extra’ indicators may be used for bonus points
5. Re-evaluate SDG Blue score on an annual basis³



³ For loans granted during year N, first reassessment of SDG Blue is performed at the end of the year N+1

Assessment of the social and environmental benefit with DELTA

When IDB Invest is a co-investor with Blue like an Orange, each transaction is evaluated by an independent team at IDB Invest and receives a Development Effectiveness Learning Tracking Assessment score (DELTA score between 0 and 10) to assess the social and sustainable impact of the transaction and the additional benefit of the IDB Invest/Blue like an Orange investment. If the investment scores below 5, it cannot proceed either to IDB Invest or Blue like an Orange Investment Committee.

The DELTA is a rigorous, fact-based scoring system that systematically assesses the expected impact of each investment, facilitating decision-making and portfolio management. At origination, each project is assigned a score ranging from zero to 10, which is tracked and updated throughout implementation. Embedded within this score is an approximation of the economic and social rate of return (monetization) of each investment, complemented by a stakeholder analysis to ensure that the most important direct and indirect effects are considered, a sustainability assessment, and an assessment of the additionality that IDB Invest brings to the project. A counterfactual approach, comparing with and without project scenarios, underpins the DELTA assessment across the project cycle. Likewise, the DELTA serves as a management tool, collecting data from individual projects to help visualize the evolution of the portfolio as a whole and identify patterns, gaps, and key predictors of impact success.

In addition to the comprehensive impact analysis that goes into the score itself, each project has a results matrix with specific indicators and targets relevant to its theory of change and impact objective, including indicators to track the project's contribution to identified SDG targets. Each project also has a monitoring and evaluation plan that outlines how these indicators will be tracked and measured throughout implementation, and ultimately, evaluated at the end of a project to determine whether or not objectives were achieved. Whenever possible, indicators are aligned with standardized metrics from the Harmonized Indicators for Private Sector Operations (HIPSO) or the IRIS+ system.

V. Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

In order to avoid significant harm to environmental and social objectives, Blue like an Orange implements a due diligence policy that is applied in the investment process and monitoring of the portfolio companies. This includes engagement policies, investment restrictions and due diligence on adverse sustainability impacts in the pre-investment and monitoring phases.

As part of its due diligence policies, Blue like an Orange performs a KYC and ethical check and an Environmental and Social (“E&S”) assessment in order to identify

- environmental, social and governance events or conditions which, if they occur, could cause a material negative impact on the value of the investment; or/and
- activities of the investment that could have negative effects on sustainability factors.

The E&S due diligence is based on Performance Standards (“PS”) developed by International Finance Corporation (IFC) in 2012.

If an investment proceeds, an Environmental and Social Action Plan is agreed contractually with the investee company, depending on what negative impact is generated and its severity.

A systematic ESG and sustainable impact evaluation of each potential deal

Blue like an Orange conducts an ESG and sustainable impact assessment of each potential investment against objectives. This evaluation includes reviews by independent parties and is required to meet minimum thresholds in order to proceed with the investment. The outcome of this assessment constitutes a specific section of the memorandum prepared for the Investment Committees and discussed among its members.

Independent ESG evaluation according to the IFC performance standards

For each potential deal, Blue like an Orange carries an Environmental, Social, and Governance review according to the IFC Performance Standards .

When IDB Invest is a co-investor, they conduct this initial assessment on behalf of both themselves and Blue like an Orange with their internal experts, and which are independent from the investment team, using their Environmental and Social Safeguard Assessment. The standards included in their Environmental and Social Safeguard Assessment consist of the IFC Performance Standards, IDB Environment and Safeguards Compliance Policy, other IDB safeguard policies and sector guidelines and the World Bank Group/IFC Environmental Health and Safety (“EHS”) Guidelines (including both General

EHS guidelines and Industry Sector EHS Guidelines) .

When Blue like an Orange is leading the transaction, it oversees the evaluation following the IFC Environmental and Social Performance Standards, and if needed through the use of independent external consultants.

Following the independent assessment of the potential investment against these standards, IDB Invest and Blue like an Orange develop an Environmental and Social Action Plan with the borrower, which is required to comply with it and is a condition for loan signature.

When IDB Invest is a co-investor, they conduct this initial assessment on behalf of both themselves and Blue like an Orange with their internal experts, and which are independent from the investment team, using their Environmental and Social Safeguard Assessment. The standards included in their Environmental and Social Safeguard Assessment consist of the IFC Performance Standards, IDB Environment and Safeguards Compliance Policy, other IDB safeguard policies and sector guidelines and the World Bank Group/IFC Environmental Health and Safety (“EHS”) Guidelines (including both General EHS guidelines and Industry Sector EHS Guidelines)⁴.

When Blue like an Orange is leading the transaction, it oversees the evaluation following the IFC Environmental and Social Performance Standards, and if needed through the use of independent external consultants.

Following the independent assessment of the potential investment against these standards, IDB Invest and Blue like an Orange develop an Environmental and Social Action Plan with the borrower, which is required to comply with it and is a condition for loan signature. Based on the content of the Action Plan, the borrower and Blue like an Orange jointly and carefully monitor adherence to the agreed plan, and work to meet agreed milestones – paying particular attention to risks that require mitigation or addressing.

Finally, in 2021 and the years to come, Blue like an Orange is engaged to pursue its purpose for impact notably in continuing to improve the impact and sustainability approach in the context of the Sustainable Finance Disclosure regulation applicable from March 2021. Under this new regulation, Blue like an Orange has chosen to elect its Fund and each of its sub-funds as article 9 products, meaning that the funds pursue sustainable investment as an objective. Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices. The partners and the team are dedicated to integrating sustainability risks and due diligence on adverse sustainability impact at the core of their investment policy and process.

⁴ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_policy_ehs-general

VI. Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

Blue like an Orange reviews systematically and documents the progress of each investment in achieving impact against expectations. Decisions and processes are improved based on the achievement of impact and according to the lessons learned. When IDB Invest is in the transaction, they generally lead on “supervision”. When Blue like an Orange is the lead, the investment team oversees the supervision process.

Environmental and Social Action Plan Follow up

Blue like an Orange (and IDB Invest when they are in the transaction) monitor progress made against each investment’s Environmental and Social Action Plan.

DELTA Score and IDB monitoring

IDB Invest has contractual rights to perform an evaluation of each company’s DELTA Score as well as other indicators on an annual basis, when they are in the transaction. As agreed, Blue like an Orange receives updates from IDB Invest regarding these evaluations, on at least an annual basis.

Impact monitoring

a. SDG Blue Annual Review

Blue like an Orange rates investments in its portfolio annually based on the SDG Blue rating system.

b. Annual Impact assessment at indicator level

Blue like an Orange monitors and shares the Fund’s progress against the SDG goals and indicators on at least an annual basis with investors.

VII.Principle 7: Conduct exits considering the effect on sustained impact.

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

As a provider of private credit, the traditional concept of an “exit” does not apply well given our investment instrument.

Each investment is “self-liquidating” at the outset, and while Blue like an Orange does utilize equity-like investments (e.g. warrants, convertible options) as part of its capital provision where appropriate. However, these represent a very small percentage of the deployed capital, and when the options are exercised, we will take into account the sustainability of the impact when making exit decisions.

In addition, Blue like an Orange is considering to influence the sustainability of the impact through documentation, ongoing dialogue with the investee, etc. Credits granted to the portfolio companies can be called early in some cases if the obligor is not adhering to the intentions of Blue like an Orange’s in targeting an impact. etc.

Regarding how the company’s activities would be affected post-exit, and considering that the issue is relevant for an equity investment when an exit could take place earlier than anticipated, although both in the case of equity and for debt the issue remains when either there is an exit or the loan is repaid even in line with the original plan, Blue like an Orange is considering how to address the issue post-repayment of the loan although the key is to establish approaches during the life of the loan that would remain in place post-repayment.

VIII. Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

The internal evaluation of the sustainability impacts of the transactions over their lifecycle, performed by the investment team, is one of the key components of Blue like an Orange's systematic assessment procedure of every transaction. Thus, the ESG assessment is fully integrated during the whole investment process, from screening to monitoring. This integration reinforces the "no trade-off" principle between market level rates of financial returns and sustainable development outcomes.

In addition to recurrent review of the portfolio over the course of the year, in Q2/Q3 of each year, Blue like an Orange provides its investors with an Annual Sustainability and Impact Report, which includes a section outlining portfolio and investment performance, investment by investment, against the agreed indicators.

Improvements and deteriorations are both noted, with the latter requiring an explanation of what steps are being taken to improve the declines.

Independent Sustainability and ESG advisory Committee

The Sustainability and ESG advisory Committee reviews Blue like an Orange's approach and policies as well as provides recommendations for improvements and modifications. The Committee acts as an independent sounding Board for potential issues that arise during investment preparation and portfolio management.

In addition to including all of Blue like an Orange's Founding Partners, "independent" members are:

Jamie Cooper - President, Big Win Philanthropy

Dr. Paul Farmer - Kolokotronis University Professor, Harvard University; Co-Founder and Chief Strategist, Partners in Health

Gabriel Jaramillo - Former President, Santander Brazil; former Chairman and CEO, Sovereign Bank; former General Manager, Global Fund to Fight AIDS, TB and Malaria

Joy Phumaphi - Executive Secretary, African Malaria Alliance (ALMA)

Paul Polman - Former CEO of Unilever

Ambassador (ret.) John Simon - Managing Partner, Total Impact Capital

The Committee reviewed Blue like an Orange's existing sustainability strategy and approach, inclusive of the sustainability and impact profile of the existing portfolio and its fit with the SDGs, and reviewed the draft "SDG Blue" shadow rating system.

External resources for ESG and Sustainability management

Finally, the use of external evaluation during the pre-investment process, both in the ESG assessment phase — through the work with IDB Invest’s independent experts or with consultants— and during the DELTA pre-investment evaluation, supports a degree of independence in the evaluation process.

IX. Principle 9: Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

As a Founding Signatory to the Operating Principles for Impact Management, Blue like an Orange Sustainable Capital is committed to an independent verification of the alignment if its process and procedures with the Impact Principles on a regular basis.

To this end, Blue like an Orange commissioned **KKS Advisors in 2020**, to carry out the independent review. The confirmation of the alignment has being disclosed publicly.

The next independent verification will by conducted in 2022.